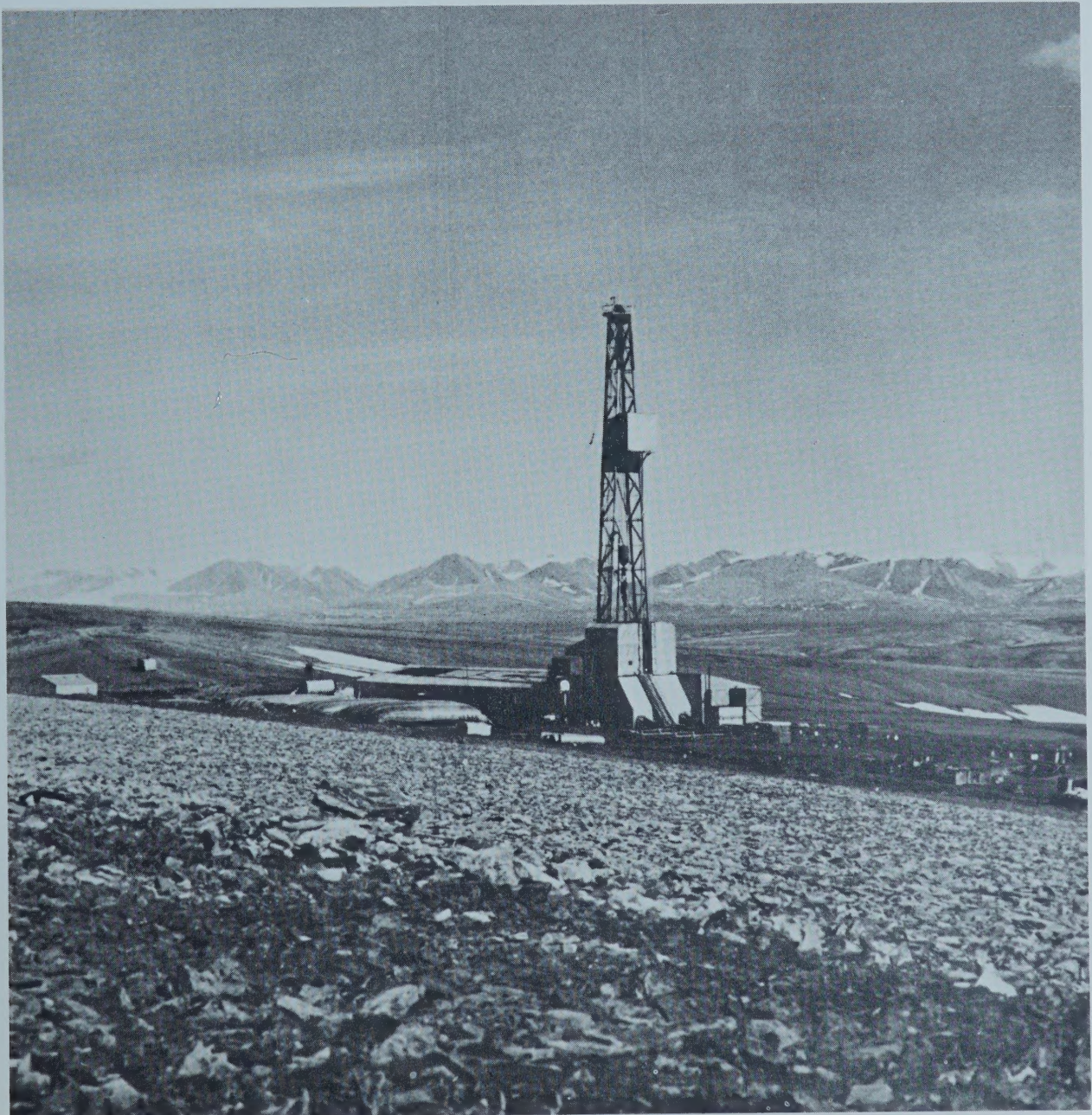


BANKENO MINES LIMITED

Annual Report

for the year ended December 31, 1971



BANKENO MINES LIMITED

REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 31st DECEMBER, 1971

DIRECTORS J. W. McBean
 J. C. McBean
 F. G. Carrotte
 E. T. Donaldson
 W. A. Roliff

OFFICERS J. W. McBean, President
 J. C. McBean, Vice-President
 F. G. Carrotte, Vice-President
 B. J. Anderson, Secretary-Treasurer

TRANSFER AGENTS Crown Trust Company, Toronto, Ont.

AUDITORS Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.

HEAD OFFICE 6 Hudson Bay Avenue, Kirkland Lake, Ontario

BANKENO MINES LIMITED



PRESIDENT'S REPORT

TO THE SHAREHOLDERS:

Enclosed herewith is Notice of our Annual Meeting, together with financial statements and auditors' report.

Events of the year 1971 have greatly enhanced the potential asset value of Bankeno's Arctic Island holdings of oil and gas lands and zinc-lead mineral properties.

Your Company holds a 2.26% interest in Panarctic Oils Ltd. In addition Bankeno has interests in 6,729,571 land acres, most of which are farmed out directly or indirectly to Panarctic Oils Ltd. Included in the above total are interests in 553,311 acres acquired in 1971 on settlement of claims against Great Plains Oil & Gas Ltd., and Hudson's Bay Oil & Gas Company Ltd. This latter acreage known as the Eureka Permits, include three well-known structure areas, Fosheim, Black Top and Depot Point on North Ellesmere and Axel Heiberg Islands.

Oil discoveries at multiple horizons in the Panarctic Romulus well, located one and a half miles north of the Fosheim Structure Permits, adds considerable importance to Bankeno interests in this area. It is understood, that Bankeno interest blocks contain the southern extension of the Romulus Structure. The considerable recent seismic activity in this area suggests that additional well tests may be undertaken in the near future. A 14,000' well is proposed for the Depot Point Structure during the period 1972-73.

Panarctic in 1971, with the drilling of King Christian N-06 well, one of the largest gas producers in North America, indicated a significant potential gas reserve in the King Christian Structure. Later in 1971, Panarctic made a significant gas discovery at Kristoffer Bay on Ellef Ringnes Island.

In quick succession in 1972, Panarctic drilled two oil discovery wells in the Sverdrup Basin at Romulus and Thor Islands located 300 miles apart. Both discoveries are of light gravity oil. The Romulus well encountered multiple occurrences of oil and gas to considerable depth. Although these two discovery wells may not be economic in the Arctic Islands, they enhance the possibilities for commercial production over a broad area. As a result of these discoveries, a high level of drilling activity is expected in the Ellesmere and Ellef Ringnes areas in 1972-73. The nine drills currently operating continuously in the Arctic Islands are expected to increase in number to a minimum of twelve in 1972.

The enclosed revised map of Bankeno and Panarctic holdings in the Arctic Islands will enable shareholders to follow activities important to their interests.

Panarctic's continued drilling success in recent months has prompted requests for disclosure of reserve estimates. Panarctic has stated that these estimates will be made public when sufficient reserves are indicated to justify a pipeline.

BANKENO MINES LIMITED

PRESIDENT'S REPORT . . .

A potentially large deposit of zinc-lead ore of substantial thickness, a major part of which exceeds 20% in combined zinc and lead content was discovered on the Bankeno Polaris claim group on Little Cornwallis Island in 1971. The geological evidence for continuity and inferred tonnage for this high grade deposit prompted the formation of a new company, Arvik Mines Ltd., on October 1, 1971.

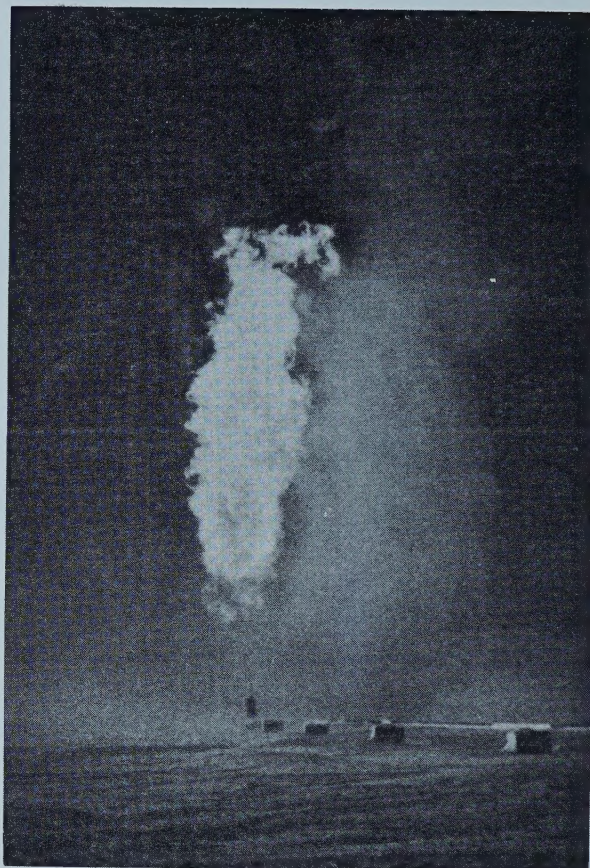
Arvik Mines is capitalized at \$20,000,000.00. All of the common shares are issued 75% to Cominco and 25% to Bankeno. The number and equity rights of issued common shares shall not be altered except by resolution of 90% of common stock shareholders. Cominco has management control of Arvik Mines and will conduct all operations and provide necessary capital for production at its sole cost and expense. Arvik dividends will be paid as to 80% for interest and pro rata redemption of preferred shares and 20% for common stock dividends. Additional details on Arvik Mines Limited are contained in Note 2 of the financial statements.

Arvik Mines is operating in 1972 on a budget of close to \$1,000,000.00. Diamond drilling started on the property on May 11, 1972. The object of this season's program is to confirm and extend inferred tonnage and grade to permit the planning of underground work for 1973. It is proposed that entry to the Arvik ore bodies will be by inclined ramp or adit.

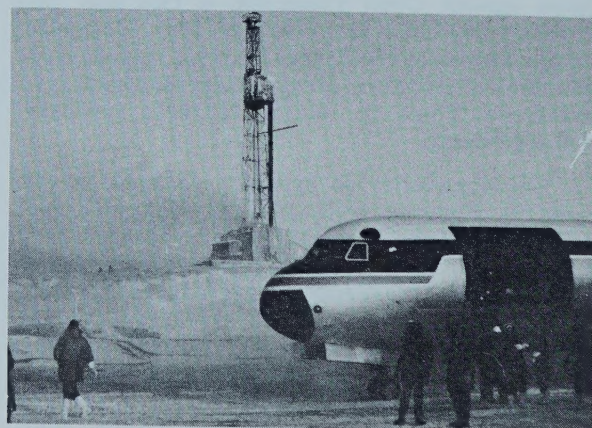
Three diamond drills, one of deep hole capabilities, are employed on the present program. The depth limits of mineralization will be probed during the season.

Captain Pullen of Northern Associates, a group with experience in Arctic shipping, has been commissioned by Arvik to undertake a preliminary feasibility study on shipping concentrates from Little Cornwallis Island. Currently ice measurements and depth soundings off Little Cornwallis Island are proceeding.

Arvik proposes to engage a site consultant for evaluation of ecological factors. A topographic contour map of the West end of Little Cornwallis Island is in preparation.



GAS FLARE, KING CHRISTIAN N-06 GAS WELL



PANARCTIC - ROMULUS C-42 OIL WELL

BANKENO MINES LIMITED

PRESIDENT'S REPORT . . .

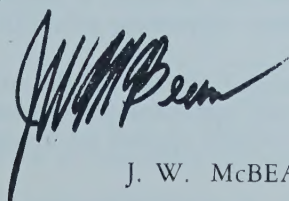
Planning is proceeding for diamond drilling and exploration of the Arvik Eclipse zinc-lead showings in 1973. This latter location is 18 miles East of the Polaris claim group. Ocean shipment from Montreal to Little Cornwallis Island of equipment and supplies for the 1973 program has been arranged.

Total exploration expenditures on Panarctic lands of \$200 million, over the next five years, are planned by Panarctic, Tenneco et al, Imperial, Gulf and others. This massive program in search for oil and gas combined with exploration and development work on Arvik properties suggest that the 1972-73 period could be very eventful for Bankeno.

A special resolution to increase authorized capital from 4,000,000 to 6,000,000 common shares will be presented at the annual meeting for shareholder approval. Although your Board of Directors has no immediate plan to increase the number of issued shares, it is deemed prudent, at this time, to provide for contingencies. Issued shares of your Company total 3,997,004.

Mr. T. J. Day retired from the Board of Directors during the year. His most significant contributions to the building of your Company will long be remembered by his associates and appreciated by your Company.

Dr. W. A. Roliff, Consulting Geologist, has been appointed to the Board of Directors. Formerly employed by Imperial Oil Limited, Toronto, he has held a number of head office executive positions including, District Geologist, Eastern Canada, Manager Production Division, Eastern Canada, Assistant to Production Advisor and Senior Advisor on Minerals. Dr. Roliff, well-known for his contributions to the Petroleum Industry, brings a wealth of experience in oil and gas matters to your Board.



J. W. McBEAN, President.

May 15, 1972



TERRAIN - CORNWALLIS ISLAND



RESOLUTE BAY, CORNWALLIS ISLAND

BANKENO MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET - DECEMBER 31, 1971

(with comparative figures as at December 31, 1970)

ASSETS

	1971	1970
CURRENT ASSETS		
Cash and short term deposits	\$ 657,860	\$ 530
Interest receivable	2,291	
Other	1	1
	<u>660,152</u>	<u>531</u>
INVESTMENTS, AT COST		
Panarctic Oils Limited (note 1)	1,751,986	1,164,703
Arvik Mines Limited (note 2)	25,487	
Oil and gas permits, at cost (notes 3 and 4)	30,825	30,825
Mining properties (note 5)	1	25,488
Deferred exploration and development expenditures	250,630	245,996
	<u>\$ 2,719,081</u>	<u>\$ 1,467,543</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 22,049	\$ 22,632
Payable to Panarctic Oils Limited (note 1)	503,213	309,139
9% Loan payable to Upper Canada Mines Limited and accrued interest		334,147
	<u>525,262</u>	<u>665,918</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (NOTE 6)		
Authorized - 4,000,000 shares, par value \$1 each		
Issued - 3,997,004 shares (1970 - 3,715,004 shares)	3,997,004	3,715,004
Deduct discount less premium	409,811	1,600,211
	<u>3,587,193</u>	<u>2,114,793</u>
Deficit	1,393,374	1,313,168
	<u>2,193,819</u>	<u>801,625</u>
Approved by the Board		
J. W. McBEAN, Director	\$ 2,719,081	\$ 1,467,543
F. G. CARROTTE, Director		

AUDITORS' REPORT

To the Shareholders of
BANKENO MINES LIMITED

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1971, and the statements of deferred exploration and development expenditures, deficit, administrative expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 31, 1972

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

BANKENO MINES LIMITED

STATEMENT OF DEFICIT

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Deficit at beginning of year	\$ 1,313,168	\$ 1,248,418
Administrative expenses	80,206	64,210
Adjustment of marketable securities		540
Deficit at end of year	<u>\$ 1,393,374</u>	<u>\$ 1,313,168</u>

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Drilling participation	\$ (368)	\$ 809
Engineering fees	4,800	9,750
General	202	
Expenditures for the year	<u>4,634</u>	<u>10,559</u>
Balance deferred at beginning of year	245,996	235,437
Balance deferred at end of year	<u>\$ 250,630</u>	<u>\$ 245,996</u>

BANKENO MINES LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Administrative fees	\$ 28,650	\$ 19,753
Government fees, licenses and taxes	121	61
Interest and bank charges	17,809	21,171
Legal and audit	24,073	9,445
Office rent	1,250	
Listing fees	1,500	200
Postage, telephone and telegraph	1,702	471
Printing and stationery	479	189
Reports to shareholders	3,872	2,310
Share issue expense	664	1,329
Transfer agent's fees and expenses	6,884	10,805
Travelling	10,350	840
Sundry	798	202
	<u>98,152</u>	<u>66,776</u>
Less interest earned	17,946	2,566
Administrative expenses for the year transferred to deficit	<u>\$ 80,206</u>	<u>\$ 64,210</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
SOURCE OF FUNDS		
Proceeds from issue of capital stock	<u>\$ 1,472,400</u>	
APPLICATION OF FUNDS		
Exploration and development expenditures	4,634	\$ 10,559
Administrative expenses	80,206	64,210
Additional investment in Panarctic Oils Limited	587,283	452,879
Adjustment of marketable securities		540
	<u>672,123</u>	<u>528,188</u>
Increase (decrease) in working capital position	800,277	(528,188)
Working capital deficiency at beginning of year	665,387	137,199
Working capital (deficiency) at end of year	<u>\$ 134,890</u>	<u>\$ (665,387)</u>

BANKENO MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1971

1. INVESTMENT IN PANARCTIC OILS LIMITED	1971	1970
171,666 preferred shares, par value \$10 each (1970 - 112,938 shares)	\$ 1,716,660	\$ 1,129,380
28,235 common shares, no par value	2,823	2,823
23 common shares of Panarctic Oil Operators Ltd.	3	
	<u>1,719,486</u>	<u>1,132,203</u>
Capital stock issued to Upper Canada Mines Limited for guarantee of payments on initial investment 50,000 shares of the company at stated value	32,500	32,500
	<u>\$ 1,751,986</u>	<u>\$ 1,164,703</u>

By agreements commencing in 1967, the company has purchased the above shares in Panarctic Oils Limited, a company formed to explore the oil and gas potential of the Arctic Islands in the North-west Territories, financed jointly by private enterprise and the Government of Canada.

The balance of the consideration for the 1971 purchases will be payable by cash calls during 1972.

2. INVESTMENT IN ARVIK MINES LIMITED

Little Cornwallis Island Properties

By agreement dated October 1, 1971, the company and Cominco Limited have incorporated a new company, Arvik Mines Limited, to acquire mineral claims and leases on Little Cornwallis Island (including two groups of claims on Cornwallis Island) which Cominco has been exploring under the terms of a 1965 agreement between the companies. Bankeno received 25% of the common share capital of Arvik. Cominco has undertaken to incur all expenditures it deems necessary and Bankeno is not required or entitled to contribute thereto. If, at Cominco's discretion, the property is brought to production then Cominco will assume responsibility for arranging the required financing and will receive 6% redeemable preferred shares for its expenditures to that date. Bankeno will similarly receive preferred shares aggregating \$75,000 for its expenditures incurred prior to June 4, 1964.

Cornwallis Island Properties

Initially under the terms of the above agreement Cominco is to have a 75% interest and Bankeno a 25% interest in these properties. Cominco has undertaken to expend up to \$200,000 from the date of the agreement of which Bankeno will be deemed to have contributed 25%. After Cominco has incurred expenditures of \$200,000 then Bankeno may participate in further expenditures in proportion to its interest in the properties until a total of \$400,000 has been expended. At that time a new company shall be formed to acquire the Cornwallis Island properties for 750,000 common shares to be allocated pro-rata. Additional shares may be issued for expenditures in excess of \$400,000 in the ratio of one share for each \$1 of expenditures with Bankeno retaining the right to participate in proportion to its interest.

3. OIL AND GAS PERMITS

Exploratory Permits - Arctic Islands

By agreements dated May 17, 1966, between Bankeno Mines Limited and Cominco Ltd., Cominco acquired a 50% undivided interest in Bankeno's interest in oil and gas exploratory permits located in the Arctic Islands. Permits totalling 5,719,131 acres of a total of 6,176,260 acres have been farmed out to Panarctic Oils Ltd. Panarctic has earned an 80% interest in the above oil and gas exploratory permits by the completion of specific drilling requirements and the expenditure of more than \$26 million on Arctic Island exploration. Panarctic is obliged to maintain all Bankeno's oil and gas exploratory permits retained. For the drilling of development production wells on its permits, Bankeno by the terms of the Cominco agreement may elect, on a well to well basis without penalty, to participate equally with Cominco or retain 25% of Bankeno's interest carried by Cominco.

4. ARCTIC ISLAND HOLDINGS

Upper Canada Mines Limited has a 5% interest in the company's Arctic Island holdings and in any consideration received for these holdings.

5. MINING PROPERTIES

	1971	1970
61 Claims on Little Cornwallis Island, acquired for 50,000 shares of the company's capital stock valued at \$15,000 and staking cost of \$10,487		\$ 25,487
18 Leases in Mayo Mining Division, Yukon Territory, at nominal value	\$ 1	1
	<u>\$ 1</u>	<u>\$ 25,488</u>

6. CAPITAL STOCK

During 1971, the company issued 282,000 shares for \$1,472,400 cash. The premium of \$1,190,400 has been credited to discount.

7. INCOME TAXES

Under the provision of the Income Tax Act, exploration and development expenditures are deductible in arriving at taxable income and any expenditures not deducted in one year may be carried forward to be applied against future income. The company has approximately \$2,100,000 of expenditures so available.

8. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970) amounts to Nil for 1971 (\$15,170 in 1970).



BANKENO MINES LIMITED

OIL & GAS INTERESTS in the CANADIAN ARCTIC ISLANDS

0 50 100 miles

- PANARCTIC ACREAGE
- BANKENO NET INTERESTS IN ACREAGE FARMED OUT TO PANARCTIC
- BANKENO INTERESTS NOT IN PANARCTIC

- DRILLING WELL
- DISCOVERY WELL

KEY TO WELLS DRILLING WITH PANARCTIC INTERESTS—May 15, 1971

1. Panarctic Fosheim N-27
2. Panarctic — King Christian N-06
3. Panarctic Deminex Garnier 0-21
4. BP — Panarctic Hotspur J-20
5. BP — Panarctic Satellite F-68
6. Sun Oil — Panarctic Young Inlet B-70
7. Sun Oil — Panarctic Skybattle Bay F-15
8. Elf Oil — Jameson Bay C-31
9. Panarctic Amund Central Dome H-40

NOTE: Property boundaries and hole locations from reliable published sources.



